

560/990



Department of the Treasury  
Internal Revenue Service  
Catalog Number 46574N

Publication 560

# Retirement Plans for the Self-Employed

For use in preparing  
**1990 Returns**



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## Introduction

This publication discusses retirement plans that can be used by self-employed persons, including certain partners in partnerships. These plans are called Simplified Employee Pension (SEP) plans, and Keogh or H.R. 10 plans. For purposes of these plans, a self-employed person is both an employer and employee. Under a SEP plan, contributions are made to special individual Retirement Arrangements (IRAs) set up for all eligible employees.

Only sole proprietors and partnerships can set up a Keogh plan. The plan must meet certain legal requirements to qualify for tax benefits. See *Setting Up a Keogh Plan*, later, for a discussion about a standard form of plan you can adopt through a sponsoring organization that generally meets these legal requirements.

Certain fishermen are considered to be self-employed for purposes of setting up a Keogh plan. (See *Fishermen treated as self-employed* in the Glossary near the end of this publication.)

There is an example near the end of this publication showing you how to complete and file the Form 5500EZ, *Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan*. See *Reporting Requirements*, later, to determine if you are required to file this annual return.

**Free publications and forms.** If you need information on a subject not covered in this publication, you may check our other free publications. To order publications and forms, call our toll-free telephone number 1-800-TAX-FORM (1-800-829-3676) or write the Internal Revenue Service (IRS) Forms Distribution Center for your area as shown in the income tax package.

## Tax Benefits of SEP and Keogh Plans

### Words you may need to know (see Glossary):

Common-law employee  
Contribution  
Deduction  
Employer  
Owner-employee  
Self-employed

A deduction for contributions to a retirement plan and deferral of tax on income of the plan are benefits that apply to each self-employed person (including an owner-employee) who has a SEP or Keogh plan. If you are self-employed, you can take an income tax deduction for certain **employer** contributions for yourself to the plan. You can also deduct trustee's fees if contributions to the plan do not cover them. Deductible contributions plus the plan's earnings on them stay tax free until you receive distributions from the plan in later years. If you are a sole proprietor, you can deduct contributions you make for your common-law employees as well as contributions for yourself.

## Simplified Employee Pension (SEP)

### Words you may need to know (see Glossary):

Business  
Contribution  
Employee  
Employer

A **simplified employee pension** (SEP) is a written plan that employers, particularly small business employers, can use as an alternative to more complex retirement plans. Under a SEP, Individual Retirement Accounts (SEP-IRAs) are set up for all eligible employees, including yourself. An eligible employee is one who meets the *participation requirements* described below. Your contributions for a participant in a year are limited (see *Employer Contributions Limit under Employer Contributions* later).

## Participation Requirements

### Words you may need to know (see Glossary):

Business  
Earned income  
Employee

If you maintain a SEP, you must include as a participant at least each of your employees who has:

- 1) Reached the age of 21 years,
- 2) Worked for you in at least 3 of the immediately preceding 5 years, and
- 3) Received at least \$342 in compensation from you for 1990.

However, you can exclude from a SEP any:

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Employees covered by a union agreement and whose retirement benefits were bargained for in good faith by their union and you, and Nonresident alien employees who have no U.S. source earned income from you. For more information about nonresident aliens, see Publication 519, *U.S. Tax Guide for Aliens*.

**Leased employees.** If you have leased employees who are treated as your employees and meet the above participation requirements, you must include these employees in your SEP. You have a leased employee if a person who is not your employee is hired by a leasing organization and provides employee services to you of the type historically performed by employees in your business field. These services must be provided by that person on a substantially full-time basis for at least a year under an agreement between you and the leasing organization.

To determine whether any leased employee must be treated as your employee, see *Employee Leasing* in Chapter 4, *Employee Benefit Plans* of Publication 535, *Business Expenses*.

## Employer Contributions

### Words you may need to know (see Glossary):

Common-law employee  
Contribution  
Deduction  
Employee  
Employer

Contributions you make to a SEP qualify for tax benefits and are treated as if made to a qualified profit-sharing plan. See *Kind of Plans and Plan Qualification Rules*, later. You can deduct your contributions to the SEP-IRA of a participant and the participant does not have to include them in income if they do not exceed certain limits, as explained later. However, contributions made under a salary reduction arrangement must be reported as wages for employment tax purposes. See Form W-2, later.

**Contributions not required each year.** You are not required to make contributions to an employee's SEP-IRA in a given year. If you do make contributions, however, you must make them to the SEP-IRAs of all employees who meet the participation requirements for that year, even if they are not employed at the time the contribution is made.

**Compensation limit for contributions.** No contributions to a SEP-IRA can be made for compensation of an employee in excess of an annual dollar limit (which is subject to cost-of-living adjustments). For 1990, this limit is \$209,200.

### Employer Contributions Limits

Contributions you make for a year to a common-law employee's SEP-IRA cannot exceed the smaller of 25% of the employee's compensation or \$30,000. Your deduction of contributions for all these employees, however, cannot exceed 15% of all the employees' compensation (see *Deduction Limits and Carryover of excess contributions* under *Employer Deduction*, later). Further, if the contributions for any employee exceed the smaller of 15% of the employee's compensation or \$30,000, the excess is taxable to the employee. See *Tax treatment of excess contributions*, later.

**Contributions for yourself.** The annual limits on your contributions to a common-law employee's SEP-IRA and the tax treatment of any excess contributions also apply to contributions you make as an employer to your own SEP-IRA.

**Tax treatment of excess contributions.** If the annual amount you contribute, as an employer, to an employee's SEP-IRA (including your own SEP-IRA) exceeds the smaller of 15% of the employee's compensation or \$30,000, the excess is included in the employee's income and is treated as a contribution by the employee to his or her SEP-IRA. As a result, the annual limit on contributions the employee can make to the SEP-IRA (generally, the smaller of \$2,000 or the employee's compensation) may be exceeded. In that case, the employee would be subject to a 6% excise tax on the excess unless it is withdrawn, as explained under *Contributions* in Chapter 8, *Simplified Employee Pension (SEP)*, of Publication 590, *Individual Retirement Arrangements (IRAs)*.

### When To Make Contributions

In order to take a deduction for contributions for a particular year, you must make the contributions no later than the due date (including extensions) of your return for that year. This rule for determining when to make SEP contributions is the same as the one for Keogh plan contributions. See *When Contributions Are Considered Made* under *Keogh Plans* and its discussion *Employer Contributions*, later.

## Employer Deduction

### Words you may need to know (see Glossary):

Business  
Contribution  
Common-law employee  
Deduction  
Employer  
Net earnings from self-employment

The SEP rules permit you as an employer to deduct contributions (within limits discussed below) to each employee's SEP-IRA.

### Where To Deduct on Form 1040

Deduct contributions for yourself on line 27 of Form 1040. You deduct contributions for your common-law employees on Schedule C (Form 1040) or Schedule F (Form 1040).

### Deduction Limits

The maximum amount you can deduct for employer contributions for common-law employee participants is 15% of all their compensation from the business that has the plan; for contributions for yourself, this rate is adjusted to 13.0435% of your net earnings. For this purpose, compensation for your common-law employees does not include the employer contribution to the SEP. Compensation for yourself is your net earnings from self-employment with certain adjustments. See *Deduction of Contributions for Yourself* later.

**SEP and defined benefit plans.** If you contribute to one or more defined contribution plans (including a SEP, which is treated as a profit-sharing plan) and one or more defined benefit plans, special deduction limits apply. For definitions of a defined contribution plan and defined benefit plan, see *Kind of Plans* under *Keogh Plans* later. For information on the special deduction limits, see *Deduction of Contributions to Combination of Plans* under *Keogh Plans* later.

**SEP and profit-sharing plans.** If your business has both a SEP and a profit-sharing plan, your SEP deductions reduce the profit-sharing plan's deduction limit (which is the same as the SEP limit). The profit-sharing plan limit is discussed in *Deduction Limits* under *Keogh Plans* and its discussion *Employer Deduction*, later.

**Carryover of excess contributions.** If you, as an employer, have contributions in excess of the deduction limit, you can carry over and deduct the excess in later years. However, the excess contributions carryover when combined with the contributions for the later year cannot exceed that deduction limit.

**Excise tax.** If you, as an employer, made nondeductible contributions to a SEP, you may be subject to a 10% excise tax. To determine the amount of the excise tax, see *Excise Tax* under *Keogh Plans* and its discussion *Carryover Contributions to Profit-Sharing Plans*, later.

### Deduction of Contributions for Yourself

When figuring the deduction for employer contributions made on behalf of yourself, compensation is your net earnings from self-employment after subtracting:

- 1) The deduction allowed to you for one-half of the self-employment tax, and
- 2) The deduction for contributions on behalf of yourself to the plan.

The adjustment to net earnings in (2) above, is made indirectly by using a self-employed person's rate as discussed next.

**Self-employed person's rate table.** If your plan's contribution rate is a whole number (for example, 12% rather than 12 1/2%), you can use the following table to find the rate that applies to you. Otherwise, you can figure your rate using the worksheet provided later.

First find your plan contribution rate (the contribution rate stated in your plan) in Column A of the table. Then read across to the self-employed person's rate under Column B. This is the self-employed person's rate to be applied as shown in Example 1 later.

Self-Employed Person's Rate Table

| Column A<br>If the Plan Contribution Rate is<br>(shown as a %) | Column B<br>The Self-Employed Person's Rate is<br>(% shown as a decimal) |
|----------------------------------------------------------------|--------------------------------------------------------------------------|
| 1                                                              | .009901                                                                  |
| 2                                                              | .019608                                                                  |
| 3                                                              | .029126                                                                  |
| 4                                                              | .038462                                                                  |
| 5                                                              | .047619                                                                  |
| 6                                                              | .056604                                                                  |
| 7                                                              | .065421                                                                  |
| 8                                                              | .074074                                                                  |
| 9                                                              | .082569                                                                  |
| 10                                                             | .090909                                                                  |
| 11                                                             | .099099                                                                  |
| 12                                                             | .107143                                                                  |
| 13                                                             | .115044                                                                  |
| 14                                                             | .122807                                                                  |
| 15*                                                            | .130435*                                                                 |
| 16                                                             | .137931                                                                  |
| 17                                                             | .145299                                                                  |
| 18                                                             | .152542                                                                  |
| 19                                                             | .159664                                                                  |
| 20                                                             | .166667                                                                  |
| 21                                                             | .173554                                                                  |
| 22                                                             | .180328                                                                  |
| 23                                                             | .186992                                                                  |
| 24                                                             | .193548                                                                  |
| 25                                                             | .200000                                                                  |

\*The deduction for annual employer contributions to a SEP or profit-sharing plan cannot exceed 15% of the common-law employee participants' compensation, or 13.0435% of your net earnings (before computing the deduction for contributions on behalf of yourself) from the business that has the plan.

**Example 1.** If your plan contribution rate is 10% and your net earnings amount (reduced by

your self-employment tax deduction) is \$100,000, your deduction for employer contributions on behalf of yourself is \$9,091 ( $\$100,000 \times 0.090909$ ).

**Self-employed person's rate worksheet.** If your plan's contribution rate is not a whole number (for example, 10½%), you cannot use the *Self-Employed Rate Table*. However, you can use the *Self-Employed Person's Rate Worksheet* discussed next.

#### Self-Employed Person's Rate Worksheet

- 1) Plan contribution rate as a decimal (for example, 10% would be 0.10) .....
- 2) Rate in Line 1 plus 1, as a decimal (for example, 0.10 plus 1 would be 1.10) .....
- 3) Divide Line 1 by Line 2. This is your self-employed rate as a decimal .....

**Figuring your deduction.** Now that you have your self-employed rate, you can figure your deduction for contributions on behalf of yourself by completing the following steps:

**Step 1**  
Enter your rate from the *Self-Employed Person's Rate Table* or *Self-Employed Person's Rate Worksheet* .....

**Step 2**  
Enter the amount of your net earnings from Line 29, Schedule C (Form 1040) or Line 36, Schedule F (Form 1040) .....

**Step 3**  
Enter your deduction for self-employment tax from Line 25, Form 1040 .....

**Step 4**  
Subtract Step 3 from Step 2 and enter the amount .....

**Step 5**  
Multiply Step 4 by Step 1 and enter the amount .....

**Step 6**  
Multiply \$209,200 by your plan contribution rate. Enter the result but not more than \$30,000 .....

**Step 7**  
Enter the smaller of Step 5 or Step 6. This is your deductible contribution. Enter this amount on Line 27, Form 1040. ....

**Example 2.** You are a sole proprietor and have employees. The terms of your plan provide that you contribute 10½% (.105) of your net earnings amount and 10½% of your common-law employees' pay. Your net earnings amount from Line 29, Schedule C (Form 1040) is \$200,000. In figuring this amount, you deducted your common-law employees' pay of \$60,000 and contributions for them of \$6,300 ( $10\frac{1}{2}\% \times \$60,000$ ). This net earnings amount is now reduced to \$196,076 by subtracting your self-employment tax deduction of \$3,924. You figure your self-employed rate and deduction for employer contributions on behalf of yourself as follows:

- 1) Plan contribution rate as a decimal (for example, 10% would be 0.10) ..... 0.105
- 2) Rate in Line 1 plus 1, as a decimal (for example, 0.10 plus 1 would be 1.10) ..... 1.105
- 3) Divide Line 1 by Line 2. This is your self-employed rate as a decimal ..... 0.095023

**Step 1**  
Enter your rate from the *Self-Employed Person's Rate Table* or *Self-Employed Person's Rate Worksheet* ..... 0.095023

**Step 2**  
Enter the amount of your net earnings from Line 29, Schedule C (Form 1040) or Line 36, Schedule F (Form 1040) ..... \$ 200,000

**Step 3**  
Enter your deduction for self-employment tax from Line 25, Form 1040 ..... 3,924

**Step 4**  
Subtract Step 3 from Step 2 and enter the amount ..... \$ 196,076

**Step 5**  
Multiply Step 4 by Step 1 and enter the amount ..... \$ 18,632

**Step 6**  
Multiply \$209,200 by your plan contribution rate. Enter the result but not more than \$30,000 ..... \$ 21,966

**Step 7**  
Enter the smaller of Step 5 or Step 6. This is your deductible contribution. Enter this amount on Line 27, Form 1040. .... \$ 18,632

**More than one plan.** For purposes of these deduction limits, you treat all of your defined contribution plans as a single plan, and you treat all of your defined benefit plans as a single plan. If there is a combination of plans, a SEP is treated as a separate profit-sharing (defined contribution) plan. See the definitions for defined contribution and defined benefit plans in *Kinds of Plans* under *Keogh Plans*, later.

## Salary Reduction Arrangement

### Words you may need to know (see Glossary):

Business  
Common-law employee  
Contribution  
Employee  
Employer

A SEP can include a salary reduction arrangement. Under this arrangement, your employees can choose to have you make contributions to their SEP-IRAs instead of paying them the equivalent amount for salaries. These contributions are known as elective deferrals.

### Elective Deferrals to a SEP

If an employee chooses to have elective deferrals, certain conditions must be met:

- 1) At least 50% of your employees eligible to participate must choose the salary reduction arrangement.
- 2) You must have no more than 25 employees, who are eligible to participate in the SEP (or would have been eligible to participate if you had maintained a SEP), at any time during the preceding year, and
- 3) The amount deferred each year by each **highly compensated employee** as a percentage of pay (the deferral percentage) can be no more than 125% of the average deferral percentage of all non-highly compensated employees eligible to participate (**ADP test**).

A **highly compensated employee** is an employee who during the current or preceding year:

Owned more than 5% of the capital or profits interest in your business; or

Received annual compensation from you of more than \$85,485; or

Received annual compensation from you of more than \$56,990 and was among the top 20% most highly paid employees during the year, or

An individual who was at any time an officer and received compensation of more than \$102,582

**Limits on elective deferrals.** In general, the total income an employee can defer under a SEP and certain other elective deferral arrangements is limited to \$7,979 for 1990. This limit applies only to the amounts that represent a reduction from the employee's salary, not to any contributions from your funds.

Deferrals not in excess of the ADP test (see item 3 above) under an elective deferral arrangement are not included in the employee's income in the year of deferral, but are included in wages for social security (FICA) and unemployment (FUTA) tax purposes.

### Limits on SEP Contributions

Contributions you make to a common-law employee's SEP-IRA, including elective deferrals (salary reductions), are subject to the SEP limits discussed earlier. These limits also apply to contributions you make as an employer to your own SEP-IRA. See *Employer Contributions Limits* under *Employer Contributions*, earlier.

## Form W-2

### Words you may need to know (see Glossary):

Contribution  
Deduction  
Employee  
Employer

Your SEP contributions are excluded from your employee's income to the extent they do not exceed the limit on elective deferrals (see *Salary Reduction Arrangement*, earlier), or the limits on non-elective contributions (see *Employer Contributions* and its discussion *Employer Contributions Limits*, earlier). Therefore, do not include these contributions in the employee's wages on Form W-2, *Wage and Tax Statement*, for income tax purposes. However, any SEP contributions relating to your employee's wages under a salary reduction arrangement are included in the Form W-2 wages for social security and unemployment tax purposes.

An employee cannot take a deduction for your SEP contributions.

**Example.** In 1990, Jim chose to have his pay reduced by \$4,500 and that amount contributed by his employer to a SEP under a salary reduction arrangement. His salary for the year is \$30,000. On Jim's Form W-2, the employer will show total wages of \$25,500 (\$30,000 minus \$4,500) and social security wages of \$30,000. Jim will report \$25,500 as wages on his individual income tax return.

For more information, see Chapter 8, *Simplified Employee Pension (SEP)*, in Publication 590.

## Distributions (Withdrawals)

### Words you may need to know (see Glossary):

Contribution  
Employer

As an employer, you cannot prohibit withdrawals from a SEP-IRA. Also, you cannot condition your contributions to a SEP-IRA on the keeping of any part of them in the account.

Distributions (withdrawals) from a SEP-IRA are subject to IRA rules. For information on these rules, including tax treatment of distributions, tax-free rollovers, required distributions, and income tax withholding, see Chapter 6, *When Can I Withdraw or Use Assets from an IRA?* in Publication 590.

## Additional Taxes

To discourage the use of SEP funds for purposes other than normal retirement, additional taxes may apply to using these funds in making premature distributions (early withdrawals), allowing excess accumulation, or receiving excess distributions. For information on these additional taxes, see Chapter 7, *What Acts Result in Penalties?* in Publication 590. Also, a SEP-IRA account may be disqualified, or an excise tax may apply, if the account is involved in a prohibited transaction, discussed next.

**Prohibited transaction.** If any participant (or beneficiary) improperly uses his or her SEP-IRA, such as borrowing money from it, the participant has engaged in a prohibited transaction. In that case, the SEP-IRA will no longer qualify as an IRA. For a list of prohibited transactions, see *Prohibited Transactions* under *Keogh Plans*, later.

**Effect on participant (or beneficiary).** If a SEP-IRA is disqualified because of a prohibited transaction, the assets in the account will be treated as having been distributed to the participant or beneficiary on the first day of the year in which the transaction occurred. The recipient must include in his or her income the excess of the assets' fair market value (on the first day of the year) over any cost basis in the account. Also, the recipient may have to pay the additional tax on premature distributions.

## Reporting and Disclosure Requirements

### Words you may need to know (see Glossary):

Contribution  
Employee

If you set up a model SEP using Form 5305-SEP, *Simplified Employee Pension-Individual Retirement Accounts Contributions Agreement*, or Form 5305A-SEP, *Salary Reduction and Other Elective Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement*, you can satisfy the IRS reporting and disclosure requirements by providing each employee with a copy of the completed agreement form (including its questions and answers) and a statement each year showing any contributions to the employee's SEP-IRA. If you set up a salary reduction SEP (Form 5305A-SEP), you must also provide each participant with a form to defer amounts to the SEP and a notice of any excess contributions.

**Nonmodel SEP.** If you set up a nonmodel SEP, you must provide your employees with general information about a SEP. You can do this by providing each of your employees with a copy of Notice 81-1. That notice is in Internal Revenue Cumulative Bulletin 1981-1, page 610.

## Keogh Plans

### Words you may need to know (see Glossary):

Contribution  
Deduction  
Employee  
Employer  
Self-employed

A Keogh or HR 10 plan is a retirement plan that can only be established by an employer and includes coverage for a self-employed person. It must be for the benefit of employees or their beneficiaries. For this purpose, a self-employed person is both an employer and an employee. It is not necessary to have other employees besides the self-employed person.

To take a calendar year deduction for contributions to a Keogh plan, you must have set up the plan by December 31 of that year. However, you can make contributions up to the due date of your return (including extensions) for that year and still qualify for the deduction.

**Plan requirements.** For a list of the main plan qualification requirements, including a brief statement about each requirement, see *Plan Qualification Rules*, later.

## Setting Up a Keogh Plan

### Words you may need to know (see Glossary):

Employer  
Master plan  
Prototype plan

Most Keogh plans follow a standard form of plan (master or prototype) approved by the IRS. The employer—sole proprietor or partnership (but not a partner)—simply adopts a plan sponsored by one of the following:

- A trade or professional association,
- A bank (including some savings and loan associations and federally insured credit unions),
- An insurance company, or
- A mutual fund.

If preferred, an employer can set up an individually designed plan to meet specific needs. Although advance IRS approval of such a plan is not required, the employer may apply for approval by applying for a determination letter. See Revenue Procedure 80-30, 1980-1 C.B. 685.

**Plan amendments required by changes in the law.** If your Keogh plan needs to be revised to conform to recent legislation, you may need a determination letter from your IRS key district office to approve the revision. Revenue Procedure 90-20, 1990-1 C.B. 495, provides information, including time limits and exceptions, on revising plans relating to those law changes. This Revenue Procedure can be read at IRS offices.

**Time for making change.** If you need to amend your plan to comply with any law change made by the Tax Reform Act of 1986, you have until the end of the 1991 plan year. This is known

as the **remedial amendment period**. The 1991 plan year is the plan year that begins in 1991.

Your plan can remain qualified during the remedial amendment period only if:

- 1) It operates in compliance with the law change, and
- 2) The plan amendment applies retroactively to the law change's effective date.

## Investing Plan Assets

In setting up a Keogh plan, you arrange how the plan's funds will be used to build its assets:

- You can establish a trust or custodial account to invest the funds.
- You, the trust, or the custodial account can buy an annuity contract from an insurance company. Life insurance can be included only if it is incidental to the retirement benefits.
- You, the trust, or the custodial account can buy face-amount certificates from an insurance company. These certificates are treated like annuity contracts.

You establish a trust by a legal instrument (written document). You establish a custodial account with a bank, savings and loan association, credit union, or other person who can act as the plan trustee. You do not need a trust or custodial account, although you can have one, to invest the plan's funds in annuity contracts or face-amount certificates. If anyone other than a trustee holds them, however, the contracts or certificates must state that they are not transferable.

**Bond purchase plans.** The Department of the Treasury has not issued U.S. Retirement Plan Bonds since April 30, 1982. They were a special series of interest-bearing bonds that retirement plans could buy.

U.S. Retirement Plan Bonds purchased under a qualified bond purchase plan can be redeemed at any time after July 18, 1984, even though you have not reached age 59½. In addition, you can roll the proceeds over tax free to an IRA or qualified employer plan. Subsequent distributions, however, do not qualify for the special averaging or capital gain treatment.

A beneficiary can cash the bonds after the owner's death. Interest on the bonds stops 5 years after the owner of the bonds dies. They can be cashed at any Federal Reserve Bank branch or at the office of the Treasurer of the United States.

## Kinds of Plans

### Words you may need to know (see Glossary):

Common-law employee  
Contribution  
Earned income  
Employee  
Employer  
Participant's compensation

Generally, there are two kinds of Keogh plans, **defined contribution plans** and **defined benefit plans**, and different rules apply to each. You can have more than one Keogh plan, provided your contributions to all the plans are within the overall limits.

## Defined Contribution Plan

A defined contribution plan provides an individual account for each participant in the plan. Benefits to be provided to participants are based on the amount contributed to each account and any income, expenses, gains and losses, and any forfeitures of other accounts that may be allocated to the account. A self-employed person must have

earned income for deductible contributions to be made for him or her to this plan. A defined contribution plan can be either a profit-sharing or a money-purchase plan.

**Profit-sharing plan.** A profit-sharing plan generally has contributions to the plan that are based on the employer's profits. However, an employer does not have to make contributions for common-law employees out of net profits to have a profit-sharing plan.

**Money-purchase plan.** A money-purchase plan has contributions that are fixed and are not based on the employer's profits. For example, if the plan requires that contributions be 10% of the participants' compensation, the plan is a money-purchase pension plan. This applies even though the compensation of the self-employed as a participant is based on earned income. Forfeitures from other participants' accounts can be used to increase the benefits of other participants in the plan.

In general, you can be more flexible in making contributions to a profit-sharing plan than to a money-purchase pension plan or a defined benefit plan. But the maximum deductible contribution may be less under a profit-sharing plan (see *Employer Contributions*, later).

### Defined Benefit Plan

A defined benefit plan is any plan that is not a defined contribution plan. Contributions to a defined benefit plan are based on a computation of what contributions are needed to provide definitely determinable benefits to plan participants.

Forfeitures under a defined benefit plan cannot be used to increase the benefits any employee would otherwise receive under the plan.

### Minimum Funding Requirements

In general, if your Keogh plan is a money-purchase plan or a defined benefit plan, you must actually pay enough into the plan to satisfy the **minimum funding standard** for each year. Determining the amount needed to satisfy the minimum funding standard is complicated, but it is based on what should be contributed under the plan formula. For information on this requirement, see Internal Revenue Code section 412 and the regulations under that section. The minimum funding requirements **do not** apply to profit-sharing plans.

### Quarterly installments of required contributions.

For plan years beginning after 1988, if your Keogh plan is a defined benefit plan subject to the minimum funding requirements, you must make quarterly installment payments of the required contributions. The due dates for the installments are 15 days after the end of each quarter. For a calendar-year plan, the installments are due April 15, July 15, October 15, and January 15 (of the following year). Each installment must be a specified percentage of the required annual payment. The installment percentages are being phased in, so that for plan years beginning in 1992 and thereafter, 25% of the required annual payment must be paid each quarter. For plan years that began in 1989, you had to pay 6.25% of the required annual payment each quarter. However, for plan years beginning in 1990, this percentage rises to 12.5% and to 18.75% for plan years beginning in 1991.

## Employer Contributions

### Words you may need to know (see Glossary):

Annual addition  
Annual benefit  
Common-law employee  
Contribution  
Deductible  
Employer

Participant's compensation  
Self-employed

If you are self-employed, certain limits affect the amount of employer contributions and other annual additions that you can make for plan participants (you and any participating common-law employees) each year. These limits differ depending on whether your Keogh is a defined contribution or a defined benefit plan. There are also limits on the amount you can deduct. See *Deduction Limits* later.

### Limits on Contributions and Benefits

Your plan will not qualify for tax benefits unless it meets certain requirements, including a provision that contributions or benefits cannot exceed certain limits.

**Defined contribution plan limits.** A defined contribution plan's annual contributions and other additions (excluding earnings) to the account of a participant cannot exceed the **smaller** of:

- 1) \$30,000, or
- 2) 25% of the participant's compensation.

For 1990, the maximum compensation that can be taken into account for this limit is \$209,200.

**Defined benefit plan limits.** For 1990, the annual benefit for a participant under a defined benefit plan may not be more than the **smaller** of:

- 1) \$102,582, or
- 2) 100% of the participant's average compensation for his or her highest 3 years.

### Voluntary Contributions

Participants may make nondeductible voluntary contributions to a plan in addition to the employer contributions. Even though these contributions are not deductible, the earnings on them, while in the plan, are tax free until distributed in later years.

**Limit on voluntary contributions.** A participant's nondeductible voluntary contributions are limited to 10% of his or her compensation received for all years under all plans and are also subject to the *Limits on Contributions and Benefits* discussed earlier. Therefore, nondeductible contributions must be considered with deductible contributions for purposes of the limits on contributions and benefits.

### When Contributions Are Considered Made

You generally apply your Keogh plan contributions to the current year. But you can apply them to the previous year if:

- 1) You make them by the due date of your tax return for the previous year (including extensions);
- 2) The plan was established by the end of the previous year;
- 3) The plan treats the contributions as though it had received them on the last day of the previous year; and
- 4) Either—
  - You specify in writing to the plan administrator or trustee that the contributions apply to the previous year; or
  - You deduct the contributions on your tax return for the previous year. (A partnership shows contributions for partners on Schedule K (Form 1065).

**Employer's promissory note.** If you merely make out a promissory note to the plan, it is not a payment for purposes of the Keogh deduction. Further, issuing this note is a prohibited transaction subject to tax. See *Prohibited Transactions*, later.

## Employer Deduction

### Words you may need to know (see Glossary):

Business  
Common-law employee  
Contribution  
Deduction  
Employee  
Employer  
Net earnings from self-employment  
Participant's compensation  
Self-employed

Only self-employed persons can deduct contributions to a Keogh plan. If you are self-employed, you generally can make contributions to the plan for yourself **only if you have net earnings from self-employment**, not a net loss. Your net earnings must be from your personal services, not investments.

**Employer contributions capitalized.** You cannot deduct any expenses (including employer contributions to an employee benefit plan) that you are required to capitalize (include in the basis of certain property or in inventory costs). For more information, see *Uniform Capitalization Rules* in Publication 538, *Accounting Periods and Methods*.

### Where To Deduct on Form 1040

If you are self-employed, take the deduction for contributions for yourself on line 27 of Form 1040, subject to the limits explained later under *Deduction Limits*. You deduct the contributions for your common-law employees on Schedule C or F (Form 1040), whichever applies to you.

If you are a partner, the partnership passes its deduction through to you for the contributions it made for you. The partnership will report the contributions on Schedule K-1 (Form 1065). You deduct them by entering the amount on line 27 of Form 1040.

As indicated earlier, some plans also allow you to make nondeductible voluntary contributions as an employee.

### Deduction Limits

The deduction for contributions to a *defined contribution plan* that is:

- A **profit-sharing plan** cannot be more than 15% of the **common-law employee participants' compensation** from the business that has the plan. This 15% limit is adjusted for the deduction of contributions for yourself (deduction for the self-employed person as a participant). See *Deduction of Contributions for Yourself*, later.
- A **money-purchase pension plan** is limited to 25% of the common-law employee participants' compensation. This 25% limit is adjusted for the deduction of contributions for yourself, as discussed later.

The deduction for contributions to a *defined benefit plan* is based on actuarial computations. You may need professional help to compute these limits.

**Note:** In figuring the deduction for contributions you made to a plan, you cannot take into account any contributions or benefits that exceed the limits discussed earlier in *Limits on Contributions and Benefits*.

### Deduction of Contributions for Yourself

When figuring the deduction for employer contributions made on behalf of yourself, compensation is your net earnings from self-employment after subtracting:

- 1) The deduction allowed to you for one-half of the self-employment tax, and
- 2) The deduction for contributions on behalf of yourself to the plan.

The adjustment to net earnings in (2) above is made indirectly by using a self-employed person's rate. See *Self-employed person's rate table* or *Self-employed person's rate worksheet* under *Deduction of Contributions for Yourself*, earlier, in the Simplified Employee Pension (SEP) section.

## Deduction of Contributions to Combination of Plans

If you contribute to both a defined contribution plan and a defined benefit plan for yourself and your common-law employees, you can deduct your contributions to the combination of the plans for the year up to the **greater** of:

- 25% of the participating employees' compensation for the year, or
- the amount you contribute to the defined benefit plan, but not more than the amount needed to meet the year's minimum funding standard.

If you contribute more into the plans than you can deduct for the year, you can carry over and deduct the excess in later years, combined with your deduction for those years. See *Carryover Contributions to Profit-Sharing Plans* later. Your combined deduction in a later year is limited to 25% of the participating employees' compensation for that year.

For purposes of this rule on contributions to a combination of plans, a Simplified Employee Pension (SEP) is treated as a separate profit-sharing (defined contribution) plan.

**Contributions for yourself.** The combined deduction of contributions to a combination of plans also applies to contributions you make as an employer on your own behalf.

For a list of contribution rates as a percentage of common-law employees' compensation and the equivalent rates as a percentage of your net earnings, see *Deduction of Contributions for Yourself* under *Simplified Employee Pension (SEP)* and its discussion *Employer Deduction*, earlier.

## Carryover Contributions to Profit-Sharing Plans

### Words you may need to know (see Glossary):

Contribution  
Deduction  
Earned income  
Employer  
Self-employed

As discussed earlier under *Deduction Limits*, you can deduct your contributions to a profit-sharing plan of up to 15% of your participating employees' compensation for the year.

Also the 15% limit is adjusted for the deduction of contributions for yourself (deduction for the self-employed person) as a participant. See *Deduction of Contributions for Yourself*, earlier.

**Excess contribution carryovers.** A carryover can arise when your contribution to a profit-sharing plan for a tax year is more than the deduction limit for that year. If this happens, you can carry over and deduct the excess contribution in a later year combined with your deduction for the

later year. Your combined deduction in the later year is limited to 15% of your participating employees' compensation for that year.

### Excise Tax

If you, as an employer, made nondeductible contributions to a retirement plan, you may be subject to an excise tax.

**Excise tax for nondeductible contributions.** In general, a 10% excise tax can apply to nondeductible contributions made to qualified pension, profit-sharing, stock bonus, or annuity plans, and to simplified employee pension plans (SEPs).

If you contribute more than you can deduct in a year, you may be liable for a tax equal to 10% of the nondeductible contributions (figured as of the end of your tax year). Figure the tax as follows:

- 1) Nondeductible contributions for the tax year \_\_\_\_\_
- 2) Nondeductible contributions for prior tax years beginning after 1986 \_\_\_\_\_
- 3) Line (1) plus line (2) \_\_\_\_\_
- 4) Amount of line (3) \_\_\_\_\_  
nondeductible contributions returned to you during the tax year \_\_\_\_\_
- 5) Amount of line (3) \_\_\_\_\_  
nondeductible contributions that became deductible \_\_\_\_\_
- 6) Line (4) plus line (5) \_\_\_\_\_
- 7) Subtract line (6) from line (3) \_\_\_\_\_
- 8) Tax on nondeductible contributions (multiply line (7) by 10) \_\_\_\_\_

Although nondeductible contributions made for your pre-1987 tax years are exempt from this tax, you must take them into account first in figuring the extent to which contributions for post-1986 years are deductible. Therefore, the amounts in line (1) and line (2), above, could be affected by pre-1987 year contributions you carry forward.

If the amount that you must contribute to the plan for a self-employed individual to meet the minimum funding requirements is more than the self-employed person's earned income from the trade or business for which the plan is set up, the excess amount is treated as a deductible contribution for purposes of the excise tax on nondeductible contributions. See *Minimum Funding Requirements* earlier in this section.

## Elective Deferrals (Section 401 (k) Plans)

### Words you may need to know (see Glossary):

Contribution  
Employee  
Employer

Your plan can permit your employees to choose to have part of their pay contributed to a retirement fund by you, rather than having it paid to them that year. These amounts are called "elective deferrals," because the employee chooses (or elects) to set aside the money, and income tax on the money is deferred until it is taken out of the account.

Elective deferrals include elective contributions to cash or deferred arrangements (known as section 401(k) plans), section 501(c)(13) plans, salary reduction simplified employee pension (SEP) plans, and tax-sheltered annuities provided for employees of tax-exempt organizations and public schools.

In general, a Keogh plan can include a cash or deferred arrangement only if it is a profit-sharing plan, or a money-purchase plan in existence on June 27, 1974, that included a salary reduction arrangement on that date. As discussed earlier, you can also include a salary reduction arrangement under a SEP. See *Salary Reduction Arrangement* in the SEP section.

### Limits on Elective Deferrals

There are limits on the amount that an employee can defer each year under these plans. This limit applies without regard to community property laws. Your plan must provide that your employees may not defer more than the applicable limit (\$7,979 for 1990) for a particular year. If, in conjunction with other plans, this deferral limit is exceeded, the excess is included in the employee's gross income.

**Cost-of-living adjustment.** For 1990, the basic limit on elective deferrals is \$7,979. This limit is subject to annual increases to reflect inflation (as measured by the Consumer Price Index).

**Reporting by employer.** You must report the total amount deferred in boxes 13 and 16 of your employee's Form W-2, *Wage and Tax Statement*. See the instructions for Form W-2.

### Treatment of Excess Deferrals

If the total deferrals by your employee exceeds the limit for the year, the employer can have the excess deferral paid out of any of the plans that permit these distributions. He or she must tell each plan by the date required by that plan (not later than April 15) of the amount to be paid from that particular plan. The plan must then pay the employee that amount by April 15.

Even if the employee takes out the excess deferral, the amount is considered contributed for purposes of satisfying or not satisfying the nondiscrimination requirements of your plan. The excess is included in the employee's gross income for 1990.

**Excess withdrawn by April 15.** If the employee takes out the excess deferral by April 15, 1991, it is not again included in the employee's gross income for 1991. Any income earned on the excess deferral taken out is taxable in the tax year in which it is taken out. The distribution is not subject to the additional 10% tax on premature (early) distributions made before the employee reaches age 59½.

If the employee takes out part of the excess deferral and the income on it, the distribution is treated as made proportionately from the excess deferral and the income.

**Excess not withdrawn by April 15.** If the employee does not take out the excess deferral amount by April 15, the amount included in the employee's gross income but not distributed remains in the plan. But the excess deferral amount is not included in the employee's cost of the contract to figure the taxable amount of any eventual benefits or distributions under the plan. Thus, in effect, an excess deferral left in the plan is taxed twice, once when contributed, and then again when distributed.

## Distributions

### Words you may need to know (see Glossary):

Business  
Contribution  
Employer

Distributions from your Keogh plan minus a pro-rated part of your cost, are subject to income tax in the year they are distributed to you. Since you have no cost basis in the employer contributions

(including employer contributions made under a salary reduction arrangement), a distribution attributable to these contributions is fully taxable.

If you receive a distribution as a lump sum or because the plan terminates, you can generally defer the tax on it by rolling over the distribution. See *Rollovers in Publication 575, Pension and Annuity Income (Including Simplified General Rule)*.

**Tax on early distributions.** If distributions are made to you from the plan before you reach age 59½, you may have to pay a 10% additional tax on premature (early) distributions. This tax applies to the amount received that you must include in your income. To report this tax on early distributions, you will need to file Form 5329 *Return for Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts*. See the form instructions for exceptions to this tax and additional information about this tax.

## Income Tax on Distributions

The tax treatment of the distributions you receive depends on whether they are annuity payments (made periodically over several years or life) or nonperiodic distributions. See *Taxation of Periodic Payments or Taxation of Nonperiodic Payments in Publication 575* for a detailed description of how distributions are taxed (including the special averaging method for a lump-sum distribution).

## Tax on Excess Benefits to 5% Owners

If you are, or have been, a 5% owner of the business maintaining the plan, amounts you receive at any age that exceed the benefits provided for you under the plan formula are subject to an additional tax. This tax also applies to amounts received by your successor. The tax is 10% of the excess benefit that is includible in income. The amount subject to the tax is not eligible for the special averaging treatment that might otherwise apply to the ordinary income part of the distribution. The special averaging treatment is discussed under *Special 5- or 10-Year Averaging Method* in Publication 575.

For purposes of this tax, you are a 5% owner if you own more than 5% of the capital or profits interest in the employer. You are also a 5% owner for this purpose if you were a 5% owner at any time during the 5 plan years immediately before the plan year that ends within the tax year in which you receive the distribution.

Include on Form 1040, line 54, any tax you owe for an excess benefit. On the dotted line next to the total, write "Section 72(m)(5)" and write in the amount.

## Other Distributions and Taxes

In addition to the income tax on distributions and the tax on early distributions discussed earlier, other taxes may be imposed on you as the payee for receiving excess distributions or for not having the required minimum amount distributed to you. Also, certain loans from a Keogh plan may be treated as taxable distributions. For information on these additional taxes and loans, see *Tax on Excess Distributions, Tax for Not Making Minimum Distributions and Loans Treated as Distributions* in Publication 575.

**Withholding tax and estimated tax.** Distributions from Keogh plans are subject to income tax withholding unless the recipient chooses not to have tax withheld. If no income tax is withheld, or not enough tax is withheld, the recipient may have to make estimated tax payments. For more information, see *Withholding Tax and Estimated Tax* in Publication 575.

# Prohibited Transactions

## Words you may need to know (see Glossary):

Employer  
Owner-employee

Certain transactions (listed below) between the plan and certain persons with authority over the plan are prohibited. An excise tax is charged on these transactions. Prohibited transactions involve **disqualified persons**. You are a disqualified person if you are the employer of participants in the plan, a 10% partner in a partnership having the plan, or a fiduciary of the plan. If you are a disqualified person who takes part in a prohibited transaction, you must pay the excise tax.

**Disqualified persons** also include:

- 1) Members of your family (spouse, ancestors, direct descendants, and any spouse of a direct descendant),
- 2) Corporations, partnerships, trusts, or estates in which you own, directly or indirectly, at least half the:
  - Total voting stock or the value of all stock of the corporation,
  - Capital interest or profit interest of the partnership, or
  - Beneficial interest of the trust or estate,
- 3) Highly compensated employees (earning 10% or more of the employer's yearly wages),
- 4) Employee organizations, any of whose members are covered by the plan, and
- 5) Persons providing services to the plan.

**Prohibited transactions** include:

- 1) A transfer of plan income or assets to, or use of them by or for the benefit of, a disqualified person;
- 2) Dealing with plan income or assets by a fiduciary in his or her own interest;
- 3) The receiving of consideration by a fiduciary for his or her own account from a party that is dealing with the plan in a transaction that involves plan income or assets; or
- 4) Any of the following acts between the plan and a disqualified person:
  - Selling, exchanging, or leasing property,
  - Lending money, extending credit, or
  - Furnishing goods, services, or facilities.

**Exemption.** A prohibited transaction does not take place if you are a disqualified person and receive any benefit to which you are entitled as a plan participant or beneficiary, as long as it is figured and paid under the same terms as for all other participants and beneficiaries.

**Loans to owner-employee.** Generally, a loan from a Keogh plan to an owner-employee is a **prohibited transaction** and, as such, is subject to certain additional taxes, discussed next.

## Tax on Prohibited Transactions

The tax rate on a prohibited transaction is 5% of the amount involved for each year (or part of a year) in the **taxable period**. If the transaction is not corrected within the taxable period, you must pay an additional tax of 100% of the amount involved. If more than one person takes part in the transaction, each person can be jointly and severally liable for the entire amount of the tax.

**Amount involved in a prohibited transaction.**

The amount involved in a prohibited transaction is the greater of:

- The money and fair market value of any property given, or
- The money and fair market value of any property received.

If services are performed, the amount involved is any excess compensation given or received.

**5% Tax.** The 5% tax is based on the amount involved as of the transaction date. It is charged for each year in the **taxable period**, which starts on the transaction date and ends on the earliest day that:

- The IRS mails a notice of deficiency for the tax,
- The IRS assesses the tax, or
- You finish correcting the transaction.

Pay the 5% tax with Form 5330, *Return of Excise Taxes Related to Employee Benefit Plans*.

**Correcting prohibited transactions.** If you are a disqualified person, you can minimize the tax by correcting any prohibited transaction as soon as possible. Correcting it means undoing it as much as you can without putting the plan in a worse financial position than if you had acted under the highest fiduciary standards.

**Tax of 100%.** The 100% tax is charged if you do not correct the transaction during the taxable period. It is based on the highest fair market value, during the taxable period, of the amount involved. Usually you have until 90 days after the IRS mails a notice of deficiency for the 100% tax to correct the transaction, but this period is extended if:

- IRS grants a reasonable time needed to correct the transaction, or
- You petition the Tax Court.

If you correct the transaction within this period, IRS will abate, credit, or refund the 100% tax.

If you petition a court and it determines that you owe the additional tax, it can also determine whether you corrected the transaction during the correction period (which starts with the transaction date and ends 90 days after the deficiency notice is mailed). If you want a court determination, you must start proceedings by the 90th day after a correction period ends.

# Reporting Requirements

## Words you may need to know (see Glossary):

Business  
Employer

As the Keogh plan administrator or the employer, you may have to file an annual return/report form by the last day of the 7th month following the end of the plan year. See the following list of forms to choose the right form for your plan.

- 1) If your plan is a one-participant pension benefit plan, file **Form 5500EZ, Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan**.

Your plan qualifies to use Form 5500EZ if it covers only:

- a) An individual or an individual and his or her spouse who wholly own a trade or business, whether incorporated or unincorporated, or
- b) Partners in a partnership or the partners and their spouses.

**Do not** file this form, or any other annual report, if the total assets of the plan are \$100,000 or less except in the final year.

See a filled-in copy of Form 5500EZ at the end of this publication.

- 2) If your plan has 100 or more participants at the start of the plan year, file **Form 5500, Annual Return/Report of Employee Benefit Plan** (with 100 or more participants).
- 3) If your plan has more than one participant but fewer than 100 at the start of the plan year, file **Form 5500-C/R, Return/Report of Employee Benefit Plan** (with fewer than 100 participants). (Fill out the complete form once every 3 years; fill out the Form 5500-R registration statement portion of the form in the intervening years).
- 4) If any plan benefits are provided by an insurance company, insurance service, or similar organization, complete and attach **Schedule A (Form 5500), Insurance Information** to Form 5500 or Form 5500-C/R. Schedule A is not needed for a plan that covers only:
  - An individual or an individual and spouse who wholly own the trade or business, or
  - Partners or partners and their spouses.
- 5) For most defined benefit plans, complete and attach **Schedule B (Form 5500), Actuarial Information**, to Form 5500, Form 5500-C/R, or Form 5500EZ.
- 6) **Schedule P (Form 5500), Annual Return of Fiduciary of Employee Benefit Trust**, is used by a fiduciary (trustee or custodian) of an organization to protect it under the statute of limitations provided in section 6501(a) of the Internal Revenue Code. For this protection, the organization must qualify under section 401(a) of the Code and be exempt from tax under section 501(a) of the Code. The fiduciary should file, under section 6033(a) of the Code, a Schedule P as an attachment to Form 5500, 5500-C/R, or Form 5500EZ for the plan year in which the trust year ends. You cannot file Schedule P separately. Refer to the Schedule P instructions for more detailed information.
- 7) For certain separated participants, attach **Schedule SSA (Form 5500), Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits** to Form 5500 or Form 5500-C/R. See the instructions for Schedule SSA.

For more information about reporting requirements, see the forms and their instructions.

## Plan Qualification Rules

### Words you may need to know (see Glossary):

Business  
Contribution  
Employee  
Employer  
Owner-employee

For your plan to qualify for special tax benefits, it must meet certain requirements of the tax law. The following is a brief overview of the main plan qualification rules and is not intended to be all-inclusive.

**Plan must be in writing.** To qualify, your plan must be in writing and must be communicated to your employees. The plan must be established and maintained by you as the employer. The plan's provisions cannot merely refer to provisions of the Internal Revenue Code.

**Contributions must be for the exclusive benefit of employees.** Your plan must be for the exclusive benefit of your employees or their beneficiaries.

**Plan assets cannot be diverted.** Your plan must make it impossible for its assets to be used for, or diverted to, purposes other than for the benefit of employees and their beneficiaries. As a general rule, therefore, the assets cannot be diverted to the employer.

**Excise tax.** An excise tax is generally imposed on a reversion of qualified plan assets to an employer upon plan termination.

**Minimum age and service requirements for participation.** Your plan cannot require, as a condition of participation, that an employee have more than one year of service (or 2 years of service if the plan provides that employees with not more than 2 years of service have a nonforfeitable right to their accrued benefit). However, a plan can require that the employee reach age 21 to participate, regardless of the employee's length of service.

**Maximum age.** A plan cannot exclude an employee because he or she has reached a certain age.

**Minimum coverage.** For plan years beginning after 1988, a qualified plan must benefit at least the fewer of 50 employees or 40% of all employees.

**Contributions or benefits must not discriminate.** Under the plan, contributions or benefits to be provided must not discriminate in favor of highly compensated employees.

**Limits on contributions and benefits.** Your plan will not qualify if it provides for contributions or benefits that exceed certain limits. The limits apply to the annual contributions and other additions to the account of a participant in a **defined contribution plan**, and to the annual benefit payable to a participant in a **defined benefit plan**. These limits were discussed earlier under *Employer Contributions*.

**Minimum vesting standards.** Your plan must satisfy certain requirements regarding how benefits may be forfeited. An employee's right to his or her normal retirement benefit cannot be forfeited upon the reaching of normal retirement age. A benefit is nonforfeitable if it cannot be lost upon the happening, or failure to happen, of any event. A benefit is vested (you have a fixed right to the benefit) when it becomes nonforfeitable.

**Normal retirement age.** Normal retirement age means the **earlier** of:

- 1) Normal retirement age under the plan, or
- 2) The **later** of:
  - a) The time a participant reaches age 65, or
  - b) The 5th anniversary of the date the person began to participate in the plan (for a participant who begins participation in the plan within 5 years before reaching normal retirement age).

**Beginning of benefits.** Your plan must provide that, unless the participant otherwise chooses, the payment of benefits to the participant must begin within 60 days after the close of the **latest** of:

- 1) The plan year in which the participant reaches the earlier of age 65 or the normal retirement age,
- 2) The plan year in which occurs the 10th anniversary of the year in which the participant came under the plan, or
- 3) The plan year in which the participant separated from service.

**Early retirement.** If your plan offers an early retirement benefit, a participant becomes entitled to that benefit if he or she:

- Satisfied the service requirement for the early retirement benefit, but

- Separated from service (with a nonforfeitable right to an accrued benefit) before satisfying the age requirement for an early retirement benefit. The benefit, which may be actuarially reduced, is payable when this age requirement is met.

**Required minimum distributions.** To qualify, your Keogh plan must provide that each participant will either:

- 1) Receive his or her entire interest in the plan by the **required beginning date** (defined below), or
- 2) Begin receiving regular periodic distributions by the required beginning date in annual amounts calculated to distribute his or her entire interest over his or her life expectancy or over the joint life expectancy of the participant and his or her designated beneficiary (or over a shorter period).

The minimum distribution rules apply individually to each Keogh plan. You cannot satisfy the requirement for one plan by taking a distribution from another.

**Required beginning date.** Generally, each participant must begin to receive distributions of benefits from the plan no later than April 1 of the year following the calendar year in which the participant reaches age 70½. However, if the participant reached that age before 1988, generally he or she need not begin receiving distributions until the April 1 following the calendar year in which he or she retires.

**Joint and survivor annuity.** A defined benefit and certain money-purchase pension plans must provide automatic survivor benefits:

- 1) In the form of a qualified joint and survivor annuity for a vested participant who does not die before the annuity starting date.
- 2) In the form of a qualified preretirement survivor annuity for a vested participant who dies before the annuity starting date and who has a surviving spouse.

The automatic survivor benefit also applies to any participant under a profit-sharing plan unless:

- 1) The participant does not choose benefits in the form of a life annuity,
- 2) The plan pays the full vested account balance to the participant's surviving spouse (or other beneficiary if the surviving spouse consents or if there is no surviving spouse) if the participant dies, and
- 3) The plan is not a direct or indirect transferee of a plan required to provide automatic survivor benefits.

The spouse must consent to a loan that uses as security the accrued benefits in a plan.

**Requirements in the case of merger, consolidation, or transfer of assets or liabilities.** Your plan must provide that in the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan, each participant would (if the plan then terminated) receive a benefit equal to or more than the benefit he or she would have been entitled to just before the merger, etc., (if the plan had then terminated).

**Benefits may not be assigned or alienated.** Your plan must provide that benefits under it cannot be assigned or alienated. A loan from the plan (not a third party) to a participant or beneficiary is not treated as an assignment or alienation if the loan is secured by the participant's accrued nonforfeitable benefit and is exempt from the tax on prohibited transactions, or would have been exempt if the participant were a disqualified person.

**Divorce and similar proceedings.** Compliance with a judgment, decree, or order relating to child support, alimony payments, or marital property rights under a state domestic relations law that meets certain requirements (a qualified domestic relations order) does not result in a prohibited assignment or alienation of benefits.

Payments to an alternate payee before the participant attains age 59½ are not subject to the 10% additional tax that would otherwise apply under certain circumstances if the participant received the amounts. The interest of the alternate payee is not taken into account in determining whether a distribution to the participant is a lump-sum distribution. Benefits distributed to an alternate payee under a qualified domestic relations order can be rolled over, tax-free, to an individual retirement account or to an individual retirement annuity.

**There must be no benefit reduction for social security increases.** Your plan must not permit a benefit reduction for a post-separation increase in the social security benefit level or wage base for any participant or beneficiary who is receiving benefits under your plan, or who is separated from service and has nonforfeitable rights to benefits. This rule also applies to plans supplementing the benefits provided by other federal or state laws.

**Elective deferrals.** If your plan provides for elective deferrals, it must limit those deferrals to the amount in effect for that particular year (\$7,979 for 1990).

**Special rules for plans covering owner-employees.** If your plan covers an owner-employee, it must meet certain special requirements.

**Plans must be combined.** If an owner-employee controls, or a group of owner-employees together control, more than one trade or business, all of the plans of the controlled trades or businesses must be considered together as a single plan to determine whether they qualify. The qualification requirements include the special requirements that apply to plans benefiting owner-employees.

An owner-employee, or a group of owner-employees, is considered to control a trade or business if the owner-employee, or the group together:

- 1) Owns the entire interest in the trade or business, or
- 2) For a partnership, owns more than 50% of either the capital interest or the profits interest in the partnership.

**Top-heavy plan requirements.** A top-heavy plan is one that mainly favors officers, stockholders, partners, self-employed persons, and other key employees. Additional requirements apply to a top-heavy plan. Moreover, most qualified plans, whether or not top-heavy, must contain provisions

that meet the top-heavy requirements and that will take effect in plan years in which the plans are top-heavy. These special qualification requirements for top-heavy plans are set forth in Internal Revenue Code section 416 and its underlying regulations.

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## Form 5500EZ Example

John Jones is in business for himself as the J & J Repair Service. His wife, Beth, also works in the business. The business has a Keogh money purchase pension plan adopted in 1982 with an effective date (beginning date) of January 1, 1982. This is John's only pension plan.

John applied for and received a determination letter from IRS stating that his retirement plan was a qualified plan. The determination letter was dated March 17, 1982. John was born July 4, 1934, and Beth was born April 5, 1936.

Contributions to the pension plan for 1990 were \$10,000. The income earned by the plan for 1990 was \$10,500. The bank charged John's plan a \$10 maintenance fee for 1990. The total assets of the plan at the end of 1990 were \$105,000.

John completes and files Form 5500EZ for 1990 as shown in the following example of a filled-in Form 5500EZ.

Form **5500EZ**Department of the Treasury  
Internal Revenue ServicePlease type or  
machine print**Annual Return of One-Participant (Owners and Their  
Spouses) Pension Benefit Plan**For the calendar year 1990 or fiscal plan year beginning           , 19       ,  
and ending           , 19       .

OMB No 1545-0956

**1990**This Form Is Open  
to Public InspectionThis return is: (i) ☐ the first return filed (ii) ☐ an amended return (iii) ☐ the final return

|                                                                                                                                                                                                                                                           |                                                                                                                |                                                                                          |                                                                                              |                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Use IRS<br>label.<br>Other-<br>wise,<br>please<br>type or<br>machine<br>print.                                                                                                                                                                            | <b>1a</b> Name of employer<br><u>John Jones dba J &amp; J Repair Service</u>                                   |                                                                                          | <b>1b</b> Employer identification number<br><u>00-1234567</u>                                |                                                          |
|                                                                                                                                                                                                                                                           | Number, street, and room or suite no. (If a P.O. box, see instructions for line 1a.)<br><u>1234 2nd Street</u> |                                                                                          | <b>1c</b> Telephone number of employer<br><u>(518) 999-1234</u>                              |                                                          |
|                                                                                                                                                                                                                                                           | City or town, state, and ZIP code<br><u>Anytown, VA 22334</u>                                                  |                                                                                          | <b>1d</b> If plan year has changed since last<br>return, check here <input type="checkbox"/> |                                                          |
| <b>2a</b> (i) Name of plan <u>J &amp; J Repair Service Pension Plan</u>                                                                                                                                                                                   |                                                                                                                | <b>2b</b> Date plan first became effective<br>Month <u>1</u> Day <u>1</u> Year <u>82</u> |                                                                                              |                                                          |
| (ii) <input type="checkbox"/> Check if name of plan has changed since last return                                                                                                                                                                         |                                                                                                                | <b>2c</b> Enter three-digit<br>plan number <u>0</u> <u>0</u> <u>1</u>                    |                                                                                              |                                                          |
| <b>3a</b> Enter the date the most recent plan amendment was adopted <u>NA</u>                                                                                                                                                                             |                                                                                                                | Month <u>      </u>                                                                      | Year <u>      </u>                                                                           | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| <b>b</b> Enter the date of the most recent IRS determination letter                                                                                                                                                                                       |                                                                                                                | Month <u>3</u>                                                                           | Year <u>82</u>                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| <b>c</b> Is a determination letter request pending with IRS?                                                                                                                                                                                              |                                                                                                                | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                      |                                                                                              |                                                          |
| <b>4a</b> Enter the number of other qualified pension benefit plans maintained by the employer <u>0</u>                                                                                                                                                   |                                                                                                                | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                      |                                                                                              |                                                          |
| <b>b</b> If you have more than one pension plan and the total assets of all plans are more than \$100,000, check this box <input type="checkbox"/>                                                                                                        |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>5</b> Type of plan: <b>a</b> <input type="checkbox"/> Defined benefit pension plan (attach Schedule B (Form 5500)) <b>b</b> <input checked="" type="checkbox"/> Money purchase plan                                                                    |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>c</b> <input type="checkbox"/> Profit-sharing plan <b>d</b> <input type="checkbox"/> Stock bonus plan <b>e</b> <input type="checkbox"/> ESOP plan (attach Schedule E (Form 5500)).                                                                     |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>6</b> Were there any noncash contributions made to the plan during the plan year?                                                                                                                                                                      |                                                                                                                | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                      |                                                                                              |                                                          |
| <b>7</b> Enter the number of participants in each category listed below:                                                                                                                                                                                  |                                                                                                                | Number                                                                                   |                                                                                              |                                                          |
| <b>a</b> Under age 59½ at the end of the plan year                                                                                                                                                                                                        |                                                                                                                | <b>7a</b> <u>2</u>                                                                       |                                                                                              |                                                          |
| <b>b</b> Age 59½ or older at the end of the plan year, but under age 70½ at the beginning of the plan year                                                                                                                                                |                                                                                                                | <b>7b</b> <u>0</u>                                                                       |                                                                                              |                                                          |
| <b>c</b> Age 70½ or older at the beginning of the plan year                                                                                                                                                                                               |                                                                                                                | <b>7c</b> <u>0</u>                                                                       |                                                                                              |                                                          |
| <b>8a</b> A fully insured plan with no trust and which is funded entirely by allocated insurance contracts that fully guarantee the amount of benefit payments should check the box at the right and not complete 8b through 10d <input type="checkbox"/> |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>b</b> Contributions received for this plan year                                                                                                                                                                                                        |                                                                                                                | <b>8b</b> <u>10,000</u>                                                                  |                                                                                              |                                                          |
| <b>c</b> Net plan income other than from contributions                                                                                                                                                                                                    |                                                                                                                | <b>8c</b> <u>10,500</u>                                                                  |                                                                                              |                                                          |
| <b>d</b> Plan distributions                                                                                                                                                                                                                               |                                                                                                                | <b>8d</b> <u>-0-</u>                                                                     |                                                                                              |                                                          |
| <b>e</b> Plan expenses other than distributions                                                                                                                                                                                                           |                                                                                                                | <b>8e</b> <u>10</u>                                                                      |                                                                                              |                                                          |
| <b>9a</b> Total plan assets at the end of the year                                                                                                                                                                                                        |                                                                                                                | <b>9a</b> <u>105,000</u>                                                                 |                                                                                              |                                                          |
| <b>b</b> Total plan liabilities at the end of the year                                                                                                                                                                                                    |                                                                                                                | <b>9b</b> <u>-0-</u>                                                                     |                                                                                              |                                                          |
| <b>10</b> During the plan year, if any of the following transactions took place between the plan and a party-in-interest (see instructions), check "Yes" and enter amount. Otherwise, check "No."                                                         |                                                                                                                | Yes                                                                                      | Amount                                                                                       | No                                                       |
| <b>a</b> Sale, exchange, or lease of property                                                                                                                                                                                                             |                                                                                                                | <b>10a</b> <input type="checkbox"/>                                                      |                                                                                              | <input checked="" type="checkbox"/>                      |
| <b>b</b> Loan or extension of credit                                                                                                                                                                                                                      |                                                                                                                | <b>10b</b> <input type="checkbox"/>                                                      |                                                                                              | <input checked="" type="checkbox"/>                      |
| <b>c</b> Acquisition or holding of employer securities                                                                                                                                                                                                    |                                                                                                                | <b>10c</b> <input type="checkbox"/>                                                      |                                                                                              | <input checked="" type="checkbox"/>                      |
| <b>d</b> Payment by the plan for services                                                                                                                                                                                                                 |                                                                                                                | <b>10d</b> <input type="checkbox"/>                                                      |                                                                                              | <input checked="" type="checkbox"/>                      |
| <b>11a</b> Does your business have any employees other than you and your spouse (and your partners and their spouses)?                                                                                                                                    |                                                                                                                | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                      |                                                                                              |                                                          |
| If "No," do NOT complete the rest of this question; go to question 12.                                                                                                                                                                                    |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>b</b> Total number of employees (including you and your spouse and your partners and their spouses) <u>      </u>                                                                                                                                      |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>c</b> Does this plan meet the coverage test of Code section 410(b)?                                                                                                                                                                                    |                                                                                                                | Yes <input type="checkbox"/> No <input type="checkbox"/>                                 |                                                                                              |                                                          |
| See the specific instructions for line 11c.                                                                                                                                                                                                               |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>12</b> Answer these questions only if there was a benefit payment, loan, or distribution of an annuity contract made during the plan year and the plan is subject to the spousal consent requirements (see instructions).                              |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>a</b> Was there consent of the participant's spouse to any benefit payment or loan within the 90-day period prior to such payment or loan?                                                                                                             |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>b</b> If "No," check the reason for no consent: (i) <input type="checkbox"/> the participant was not married                                                                                                                                           |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| (ii) <input type="checkbox"/> the benefit payment made was part of a qualified joint and survivor annuity (iii) <input type="checkbox"/> other                                                                                                            |                                                                                                                |                                                                                          |                                                                                              |                                                          |
| <b>c</b> Were any annuity contracts purchased by the plan and distributed to the participants?                                                                                                                                                            |                                                                                                                |                                                                                          |                                                                                              |                                                          |

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of employer plan sponsor

John JonesDate 1/12/91

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Form **5500EZ** (1990)

## Glossary

The definitions in this glossary are the meanings of the terms as used in this publication. The same term used in another publication may have a slightly different meaning.

**Annual addition:** Annual addition is the total in a year of all employer contributions, employee contributions (does not include rollovers), and forfeitures.

**Annual benefit:** Annual benefit generally means a benefit to be paid yearly in the form of a straight-life annuity (with no extra benefits) under a plan in which employees do not contribute and no rollover contributions are made.

**Business:** A profit motive must be present in a business, and some type of economic activity must be involved. Service as a newspaper carrier under age 18 is not a business, but service as a newspaper dealer is. Service as a sharecropper under an owner-tenant arrangement is a business. Service as a public official is not.

**Common-law employee:** A common-law employee performs services for an employer who has the right to control and direct both the results of the work and the way in which it is done. For example, the employer:

- Provides the employee's tools, materials, and workplace, and
- Can fire the employee.

For Keogh plan purposes, common-law employees are not self-employed with respect to income from their work, even if that income is self-employment income for social security tax purposes. Thus, such common-law employees as ministers, members of religious orders, full-time insurance salespeople, and U.S. citizens employed in the United States by foreign governments cannot establish Keogh plans with respect to their earnings from those employments.

However, a common-law employee can be self-employed as well. For example, an attorney can be a corporate common-law employee during regular working hours and also practice law in the evening as a self-employed person. In another example, a minister employed by a congregation for a salary is a common-law employee, even though the salary is treated as self-employment income for social security tax purposes. However, fees reported on Schedule C (Form 1040) for performing marriages, baptisms, and other personal services are self-employment earnings for Keogh plan purposes.

**Contribution:** A contribution is an amount an employer pays into a plan for the benefit of all those (including owner-employees) participating in the plan. Limits apply to how much, under the contribution formula of the plan, may be contributed each year for a participant.

**Deduction:** A deduction is the amount of plan contributions an employer takes on an income tax return as a subtraction from gross income. Limits apply to the amounts deductible.

**Earned income:** Earned income for Keogh plan purposes is self-employment net earnings (defined below) from a business in which your services materially helped to produce the income.

You can have earned income from property that your personal efforts helped create, such as books or inventions on which you earn royalties. Earned income includes net earnings from selling or otherwise disposing of the property, but it does not include capital gains. It includes income from licensing the use of property other than goodwill.

Earned income does not include interest income.

If you have more than one business, but only one has a retirement plan, only the earned income from that business is considered for that plan.

**Employee:** As used in this publication, "employee" generally means self-employed persons and common-law employees.

**Employer:** Only an employer can set up a Keogh plan. A sole proprietor is his or her own employer for this purpose, and a partnership employs each partner. A partner cannot individually set up a Keogh plan.

**Fishermen treated as self-employed:** A fisherman is considered self-employed for purposes of setting up a Keogh plan if the person serves on a fishing boat under an arrangement providing pay in the form of a share of the boat's catch, or a share of the proceeds from the sale of the catch. The share must depend on the amount of the boat's catch. Also, the operating crew of the boat (or each boat if the operation involves more than one boat) must normally be made up of fewer than 10 persons.

**Master plan:** A master plan has a single trust or custodial account. If you adopt a master plan, you use the single trust or custodial account along with the other employers adopting the plan.

**Net earnings from self-employment:** For SEP and Keogh plan purposes, these earnings are a self-employed person's gross income from a business, minus allowable deductions for that business. Allowable deductions include contributions

to SEP and Keogh plans for common-law employees. Earnings from self-employment do not include items that are excluded by law from gross income, or their related deductions. For purposes of the deduction limits, earned income is net earnings figured with regard to the income tax deduction allowed for one-half of the self-employment tax and the deduction for contributions to a qualified plan made on your behalf.

**Guaranteed payments to limited partners** qualify as net earnings from self-employment if they are paid for services to or for the partnership. Distributions of income or loss to limited partners do not qualify.

**Owner-employee:** An owner-employee is either a:

- Sole proprietor, or
- Partner who owns more than a 10% interest in the partnership's profits or capital.

A partner who owns a 10% or smaller interest in the partnership is self-employed, but is not an owner-employee.

Usually the partnership agreement states each partner's profit and capital interests. If these interests are not stated or there is no agreement:

- The partners' profit interests are figured in the same way they share the partnership's taxable income, not counting any payments guaranteed regardless of partnership income, and
- Each partner's capital interest is the greater of what would be distributed to that person either on his or her leaving the partnership or on its dissolution.

**Participant's compensation:** In general, participant's compensation means the compensation (salary or wages) received from an employer by a person for personal services for a year. For the self-employed person, participant's compensation means the **earned income** of such person as defined earlier.

**Prototype plan:** A prototype plan has separate trusts or custodial accounts for each employer who adopts the plan.

**Self-employed:** A person in business for himself or herself is self-employed. Examples include sole proprietors, partners, and independent contractors. Self-employment can include part-time work.

Not everyone who has net earnings from self-employment for social security tax purposes is self-employed for Keogh plan purposes. See *Common-law employee*, earlier.

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# List of Tax Publications for Business Taxpayers

## General Guides

- 1..... Your Rights as a Taxpayer
- 17..... Your Federal Income Tax (For Individuals)
- 225..... Farmer's Tax Guide
- 334..... Tax Guide for Small Business
- 509..... Tax Calendars for 1991
- 553..... Highlights of 1990 Tax Changes
- 595..... Tax Guide for Commercial Fishermen
- 910..... Guide to Free Tax Services

## Employer's Guides

- 15..... Employer's Tax Guide (Circular E)
- 51..... Agricultural Employer's Tax Guide (Circular A)
- 80..... Federal Tax Guide for Employers in the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (Circular SS)

## Specialized Publications

- 349..... Federal Highway Use Tax on Heavy Vehicles
- 378..... Fuel Tax Credits and Refunds
- 403..... Travel, Entertainment, and Gift Expenses
- 605..... Tax Withholding and Estimated Tax
- 610..... Excise Taxes for 1991
- 615..... Withholding of Tax on Nonresident Aliens and Foreign Corporations
- 517..... Social Security for Members of the Clergy and Religious Workers
- 527..... Residential Rental Property
- 535..... Self-Employment Tax
- 594..... Depreciation
- 535..... Business Expenses
- 536..... Net Operating Losses
- 537..... Installment Sales

- 538..... Accounting Periods and Methods
- 541..... Tax Information on Partnerships
- 542..... Tax Information on Corporations
- 544..... Sales and Other Dispositions of Assets
- 551..... Basis of Assets
- 556..... Examination of Returns, Appeal Rights, and Claims for Refund
- 557..... Tax-Exempt Status for Your Organization
- 560..... Retirement Plans for the Self-Employed
- 561..... Determining the Value of Donated Property
- 578..... Tax Information for Private Foundations and Foundation Managers
- 583..... Taxpayers Starting a Business
- 586A ... The Collection Process (Income Tax Accounts)
- 587..... Business Use of Your Home
- 589..... Tax Information on S Corporations
- 594..... The Collection Process (Employment Tax Accounts)
- 597..... Information on the United States-Canada Income Tax Treaty
- 598..... Tax on Unrelated Business Income of Exempt Organizations
- 686..... Certification for Reduced Tax Rates in Tax Treaty Countries
- 908..... Bankruptcy and Other Debt Cancellation
- 909..... Alternative Minimum Tax for Individuals
- 911..... Tax Information for Direct Sellers
- 917..... Business Use of a Car
- 924..... Reporting of Real Estate Transactions to IRS
- 925..... Passive Activity and At-Risk Rules
- 926..... Employment Taxes for Household Employers
- 937..... Business Reporting (Employment Taxes and Information Returns)
- 1544 ... Reporting Cash Payments of Over \$10,000

## Spanish Language Publications

- 1S..... Derechos del Contribuyente
- 179..... Guía Contributiva Federal Para Patronos Puertorriqueños (Circular PR)
- 556S..... Revisión de las Declaraciones de Impuesto, Derecho de Apelación y Reclamaciones de Reembolsos
- 579S..... Cómo Preparar la Declaración de Impuesto Federal
- 586S..... Proceso de Cobro (Deudas del Impuesto Sobre Ingreso)
- 594S..... Proceso de Cobro (Deudas del Impuesto por Razón del Empleo)
- 850..... English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service

## How to Get IRS Forms and Publications

You can order tax forms and publications from the IRS Forms Distribution Center for your state at the address below. Or, if you prefer, you can photocopy tax forms from reproducible copies kept at many participating public libraries. In addition, many of these libraries have reference sets of IRS publications which you can read or copy.

Send to  
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countries should send their re-  
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to: Forms Distribution Center,  
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23289; Forms Distribution  
Center, Rancho Cordova, Ca.  
95743-0001, whichever is closer.

**Puerto Rico—Forms Distribution**  
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mond, VA 23289

**Virgin Islands—V.I. Bureau of**  
Internal Revenue, Lockharts  
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Amalie, St. Thomas, VI 00802

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Order blank—We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line above and be sure to print or type your name and address accurately on the bottom portion. This will be the label used to return material to you. Enclose this order blank in your own envelope and address your envelope to the IRS address shown above for your state. To help reduce waste, please order only the forms, instructions, and publications you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional forms and publications you may need. Be sure to allow 2 weeks to receive your order.

|                                         |                            |                                        |                        |                        |          |          |  |
|-----------------------------------------|----------------------------|----------------------------------------|------------------------|------------------------|----------|----------|--|
| 1040                                    | 1040EZ                     | Schedule R<br>(1040) &<br>Instructions | 2441 &<br>Instructions | 8582 &<br>Instructions | Pub. 508 | Pub. 553 |  |
| Instructions<br>for 1040 &<br>Schedules | Instructions<br>for 1040EZ | Schedule<br>SE (1040)                  | 3468 &<br>Instructions | 8822                   | Pub. 521 | Pub. 590 |  |
| 1040A                                   | Schedules<br>A&B<br>(1040) | 1040-ES<br>(1991)                      | 3903 &<br>Instructions | Pub. 1                 | Pub. 523 | Pub. 910 |  |
| Instructions<br>for 1040A,<br>Sch. 1&2  | Schedule C<br>(1040)       | 1040X &<br>Instructions                | 4562 &<br>Instructions | Pub. 17                | Pub. 525 | Pub. 917 |  |
| Schedule 1<br>(1040A)                   | Schedule D<br>(1040)       | 2106 &<br>Instructions                 | 4868                   | Pub. 334               | Pub. 527 | Pub. 929 |  |
| Schedule 2<br>(1040A)                   | Schedule E<br>(1040)       | 2119 &<br>Instructions                 | 8283 &<br>Instructions | Pub. 463               | Pub. 529 |          |  |
| Schedule 3<br>(1040A) &<br>Instructions | Schedule F<br>(1040)       | 2210 &<br>Instructions                 | 8332                   | Pub. 505               | Pub. 545 |          |  |

### Internal Revenue Service

|                                      |
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| Name                                 |
| Number and street                    |
| City or town, State,<br>and ZIP code |